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Review of the efficiency of the administrative and financial functioning of the United Nations

Joint Inspection Unit

Review of enterprise risk management in the United Nations system

Note by the Secretary-General

The Secretary-General has the honour to transmit to the members of the General Assembly his comments and those of the United Nations System Chief Executives Board for Coordination on the report of the Joint Inspection Unit entitled "Review of enterprise risk management in the United Nations system: benchmarking framework" (see A/65/788).

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Summary

The report of the Joint Inspection Unit entitled "Review of enterprise risk management in the United Nations system: benchmarking framework" assesses the risk management practices in place in United Nations system organizations and proposes a collection of benchmarks that agencies can apply when implementing a risk management framework.

The present note presents the views of United Nations system organizations on the recommendations provided in the said report. The views of the system have been consolidated on the basis of inputs provided by member organizations of the United Nations System Chief Executives Board for Coordination, which welcomed the comprehensive review of risk management. Agencies generally accepted the recommendations, although they expressed some reservations regarding several of the benchmarks.

I. Introduction

1. The report of the Joint Inspection Unit entitled "Review of enterprise risk management in the United Nations system: benchmarking framework" (see A/65/788) examines the concept of risk management and its relevance to United Nations organizations, assesses the risk management practices and experiences within the United Nations system and proposes a collection of benchmarks that agencies should apply when implementing a risk management framework.

II. General comments

2. Members of the United Nations System Chief Executives Board for Coordination (CEB) welcomed the report and expressed appreciation for its comprehensive approach to a difficult subject. They recognized the importance of enterprise risk management in almost every facet of an organization's operations and were of the view that a well-structured approach to risk could help their organizations deliver on their mandates. Agencies noted, and generally accepted, the three recommendations contained in the report, which were focused on the implementation of the 10 benchmarks considered as best practices for enterprise risk management. However, agencies noted some concerns with several of the benchmarks.

III. Specific comments on recommendations

Recommendation 1
Executive heads should adopt the first nine benchmarks set out in this report, with a view to ensuring that the enterprise risk management approach is accepted and implemented in line with best practices.

3. While generally supportive of recommendation 1, agencies also indicated concern regarding benchmark 6, which recognizes that the successful implementation of enterprise risk management requires adequate funding, a view that agencies strongly support. However, agencies noted the challenge of identifying dedicated resources for enterprise risk management projects, especially in an environment of limited budget flexibility. In addition, since many of the other benchmarks depend on resources, whether financial or human, agencies may experience difficulties in fully implementing the benchmarks. Agencies noted that the Joint Inspection Unit, in paragraph 115 of the report, considered a situation in which resources might become constrained and further noted that some agencies had been able to make progress without extensive funding. However, agencies wished to convey both the limitations of proceeding without appropriate resources and the consideration that, for many agencies, ensuring adequate resources to introduce enterprise risk management and sustain the implementation process, as stated in the benchmark, may go beyond the mandate of executive heads as, in general, legislative bodies determine funding allocations.

Recommendation 2

Governing bodies should exercise their oversight role regarding the adoption of enterprise risk management benchmarks set out in this report, the effectiveness of implementation and the management of critical risks in their respective organizations.

4. Agencies noted that recommendation 2 was addressed to legislative bodies and welcomed the potential role of those bodies in supporting the development of comprehensive enterprise risk management processes within their agencies.

Recommendation 3

The CEB, through the High-level Committee on Management, should adopt benchmark 10 of this report, with a view to facilitating inter-agency cooperation, coordination, knowledge-sharing and the management of common and cross-cutting risks for more effective and efficient risk management throughout the system.

5. Agencies supported recommendation 3, albeit with some reservations. This recommendation calls for the High-level Committee on Management to implement benchmark 10 (inter-agency cooperation and coordination, including the development of a common enterprise risk management framework, knowledge-sharing mechanisms and management of common and cross-cutting key organizational risks). Agencies agreed that there was merit in creating an informal network of risk practitioners across the United Nations system to share knowledge and experience; however, the remainder of the recommendation (i.e. to develop a system-wide risk universe based on unified standards, policies, frameworks and practices) might prove challenging for the system to achieve, particularly given the lack of homogeneity of operations and mandates across agencies. CEB members suggested that such an approach might distract from the higher priority of designing, implementing and embedding an approach to risk management that meets the particular needs of each United Nations body. Nevertheless, agencies agreed that a coordinated approach would prove useful, especially as many agencies appeared to be in the early stages of enterprise risk management development.